

Workers' Compensation **(excluding POD)**

Calculation of FY 2013 - (Discount rates: 2.99% Comp / 2.99% Med; 2014 COLA: 2.8% / Med Inflation 9.1%)

FY 2012 Year End Liability **17,469,067,036**

FY 2013 Year End Liability from Estimation Model

Losses unpaid by DOL-9/30/2013 to ultimate-Compensation	11,087,520,000 ^{2), 3)}	
Losses unpaid by DOL-9/30/2013 to ultimate-Medical	<u>4,442,256,000 ^{2), 3)}</u>	
Subtotal		15,529,776,000
 Estimated paid losses-7/1/2013-9/30/2013-due on 10/15/2014-Compensation	 209,744,000 ^{2), 3)}	
Estimated paid losses-7/1/2013-9/30/2013-due on 10/15/2014-Medical	<u>131,578,000 ^{2), 3)}</u>	
Subtotal		341,322,000
 Payment on 10/15/2013-Compensation and Medical (Actual)	 <u>1,292,204,491 ⁴⁾</u>	

FY 2013 Year End Liability **17,163,302,491 ¹⁾**

Change in Liability	(305,764,545) ⁵⁾
Cash Outlays	1,304,670,036 ⁶⁾
DOL Administration Charge	68,114,193 ⁷⁾
Other miscellaneous expenses	<u>(82,054) ⁸⁾</u>
Total Expense	<u>1,066,937,631 ⁹⁾</u>

¹⁾ For fiscal year 2013, USPS employed a workers' compensation model using actuarial methodologies to estimate the liability for future payments. The model explicitly estimated future payments for the most recent 10 injury years and relied on external estimates of older injury years and development beyond 10 years.

²⁾ Projected liability estimated from the model using quarterly Injury Compensation Performance Analysis System (ICPAS) data of actual payment made by OWCP. ICPAS data through June 2013 was received bi-weekly from DOL's Integrated Federal Employees' Compensation System (IFECS).

³⁾ The DOL chargeback Year begins July 1 and ends June 30. The USPS fiscal year begins October 1 and ends September 30. The model rolled-forward calculation was based on previous quarter data.

⁴⁾ The amount scheduled to be remitted to OWCP on October 15, 2013 is added to the liability estimate. This amount is obtained from the DOL bill.

⁵⁾ Increase (decrease) in liability. Difference between estimated FY 2013 and estimated FY 2012 year-end liabilities.

⁶⁾ The amount remitted to OWCP on October 15, 2012.

⁷⁾ DOL administrative charge for fiscal year 2013

⁸⁾ Other miscellaneous expenses include expenses such as reimbursements for difference between USPS health benefit rate and Federal rate.

⁹⁾ Expense for the fiscal year equals sum of increase (decrease) in liability, DOL cash payments, DOL administrative charge and other miscellaneous expenses.

Workers' Compensation (including POD)
Calculation of FY 2013

FY 2012 Year End Liability		
Workers' Compensation - Current (USPS)	1,304,670,036	
Workers' Compensation - Current (POD)	<u>15,151,424</u>	
		1,319,821,460 ¹⁾
Workers' Compensation - Noncurrent (USPS)	16,164,396,690	
Workers' Compensation - Noncurrent (POD)	<u>65,732,847</u>	
		16,230,129,537
4th Quarter DOL Administration Charge - Paid on 10/15/12		17,097,039
FY 2012 Year End Liability		<u>17,567,048,036</u>
FY 2013 Year End Liability		
Workers' Compensation - Current (USPS)	1,292,204,491	
Workers' Compensation - Current (POD)	<u>12,607,195</u> ⁷⁾	
		1,304,811,686 ¹⁾
Workers' Compensation - Noncurrent (USPS)	15,871,098,199	
Workers' Compensation - Noncurrent (POD)	<u>47,357,213</u>	
		15,918,455,412
4 th Quarter DOL Administration Charge - Paid on 10/15/13		16,823,076
FY 2013 Year End Liability		<u>17,240,090,174</u>
FY 2013 Year End Expense		
Change in Liability		(326,957,862) ²⁾
Cash Outlays (Includes estimated admin fee for July 1, 2012-September 30, 2012)		1,336,918,460 ³⁾
DOL Administration Charge (October 1, 2012-June 30, 2013)		51,291,156 ⁴⁾
Other miscellaneous expenses		(82,054) ⁵⁾
Total Expense		<u>1,061,169,701</u> ⁶⁾

¹⁾ Current portion of workers compensation liability and 4th quarter DOL administration charge were included in the current liabilities in the annual report.

²⁾ Estimated increase (decrease) in liability. Difference between estimated FY 2013 and estimated FY 2012 year-end liabilities.

³⁾ The amount remitted to OWCP on October 15, 2012, minus estimated administrative fee for FY2013 Q1-Q3.

⁴⁾ DOL administrative charge, paid on 10/15/12, minus estimated administrative fee for FY2012 Q4.

⁵⁾ Other miscellaneous expenses include expenses such as reimbursements for difference between USPS health benefit rate and Federal rate.

⁶⁾ Expense for the fiscal year equals sum of increase (decrease) in liability, DOL cash payments, DOL administrative charge and other miscellaneous expenses.

⁷⁾ Immaterial difference of \$426 between DOL bill and USPS General Ledger, due to rounding.

United States Postal Service
Workers' Compensation - Compensation and Medical Combined
Reserve Analysis - Data as of June 30, 2013
Estimated Liability as of Next Quarter: September 30, 2013
(000's)

UNDISCOUNTED		Low	Central Estimate	High
Losses Unpaid by DOL				
Compensation		\$15,684,394	\$16,881,427	\$19,112,269
Medical		\$6,211,435	\$6,691,019	\$7,196,735
Total		\$21,895,829	\$23,572,446	\$26,309,003
Est. Paid losses due on October 15, 2014		<i>Includes only one quarter of payments</i>		
Compensation		\$206,286	\$216,280	\$248,015
Medical		\$128,933	\$135,679	\$130,982
Total		\$335,219	\$351,959	\$378,997
(Source: Exh 8)				
D.O.L. Actual Loss chargeback due on October 15, 2013				
Total		\$1,292,204	\$1,292,204	\$1,292,204
Estimated Liability as of Next Quarter: September 30, 2013		\$23,523,253	\$25,216,609	\$27,980,205

DISCOUNTED		Low	Central Estimate	High
Losses Unpaid by DOL				
Compensation		\$10,362,534	\$11,087,520	\$12,580,290
Medical		\$4,135,670	\$4,442,256	\$4,755,000
Total		\$14,498,204	\$15,529,776	\$17,335,291
Est. Paid losses due on October 15, 2014				
Compensation		\$200,051	\$209,744	\$240,519
Medical		\$125,037	\$131,578	\$127,023
Total		\$325,088	\$341,322	\$367,542
D.O.L. Actual Loss chargeback due on October 15, 2013				
Total		\$1,292,204	\$1,292,204	\$1,292,204
Estimated Liability as of Next Quarter: September 30, 2013		\$16,115,497	\$17,163,303	\$18,995,037

"Next" Payment Date	10/15/2014
Model Eval. Date	6/30/2013
Liability Date	9/30/2013
Chargeback Year	2013
"Current"	
Payment Date	10/15/2013
Current Unpaid?	TRUE
Rollforward Discou	1.0299
Rollforward Discou	0.00

if payment less than 1 month away, no discounting

Average discount factors		Low	Central Estimate	High
Losses Unpaid by DOL				
Compensation		0.6607	0.6568	0.6582
Medical		0.6658	0.6639	0.6607
Total		0.6621	0.6588	0.6589
Est. Paid losses due on October 15, 2014				
Compensation		0.9698	0.9698	0.9698
Medical		0.9698	0.9698	0.9698
Total		0.9698	0.9698	0.9698
D.O.L. Actual Loss chargeback due on October 15, 2013				
Total		1.0000	1.0000	1.0000
Estimated Liability as of Next Quarter: September 30, 2013		0.6851	0.6806	0.6789

Scenarios used by the computational workbooks

WORKBOOK	SCENARIO	Assumptions	Percent
Claims Development --	Selected=Indicated	Estimated Future Medical Trend --	9.100
Loss Development --	Selected=Indicated	Annual Discount Rate, Compensation --	2.990
Frequency/Severity --	Selected=Indicated	Annual Discount Rate, Medical --	2.990
Data Projections --	Selected=Indicated	COLA for 2014	2.800
10-year forecast --	KEPT: August 30, 2013 wkhr from -3.4% to -1.0%, c. 2.84, nCQLX for remaining years		2.900
Trends --	KEPT: 9/30/13 c.2.99, m.2.99		
		Annual change in projected hours worked	-1.000
		Annual change in projected frequency of claim counts	0.000
		Annual change in Compensation severity	8.000
		Annual change in Medical severity	8.500